

G. R. S. IX-5]

Previous references.

57 27-18-20, 302, 357, 38, 50 & 40 /
1921.

57 File No. 73 - 100

Serial Nos. (1-2)

(47.7)

Later references.

57 73-20-4+5
57 32-21-11 2

57 21-2
57 21-3

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. (1-3)

Part B for February 1921.

SUBJECT.

Adaptation of certain procedure in the presentation of the Balance sheet of the General Industrial concerns.

To The Comptroller No. 76 5075 99. 2. 21.

Lays down certain procedure in the adaptation of the above.

Don
18.2.21.

GENERAL AND REVENUE SECRETARIAT.

(9.7)

NOTES

File No. 73-20

FILE HEADING.

Industrial concerns

From

The Comptroller

No. G.A.D 282 Dated 3rd Sept 1920 Received 4th 9. 1920

Diary No. 41

Enclos.

Spare Copies.

Serial No. /

BRIEF ABSTRACT OF LETTER.

States that the procedure detailed in the letter will be adopted in the preparation of the Bas Sheet of the several Industrial concerns mentioned in G.O. of 21.7.1919 & requests approval of Govt. thereto

NOTES AND ORDERS.

Subd for orders. My interest should not be

Hire

10/9/1920

T.S.M.

14/9

charged on the outlay of previous years as mentioned in para 2 of Comptroller's letter is not clear

21. Secy) 2/

made
4/10/20

1372
510
Notes—First Sheet.

I do not quite follow the proposals. Mr. Srirangarajan may be asked to discuss them with me. encl. 15710720

Para 3 of the notes

Kind attention is invited to para 33 of the file put up the (original) draft, referred to in this para, by the Fint Lee, and on which the Comptroller's Memorandum (pages 79 to 88 of the file) of opinion in the matter, is based is not to be seen in the file.

All the points in ~~the~~ para 2 of G.O. referred to in para 3 supra, are discussed by the Comptroller on pages 79-81 of the file. except the particular

Serial
No.

3) Please put up the file re G.O. of 21.7.19.
What is the ^{*}authority for drawing interest on
Capital advanced to the factories in the previous
years. Please see 4th sentence of para 2 of
the said order.

ms
6/11/20 18
8/11

4) The file G.F. 27-18-90, referred to
in para 3 supra, is herewith put up.

RR
12/11/20
Flowing

18
17/11

Please note on the point
mentioned at A

ms
27.11.20

These factories were being financed
from current-revenues, and their hands had
been being worked under service heads prior
to the new arrangement coming into force.
They ~~are not~~ ^{Were not} ~~are not~~ ^{have} been started
as Productive works - in the line of
- came from the beginning, and expenditure
incurred in the experimental stage cannot
in fairness be charged with
interest as well - The working of the

57 File No. 73 of 1922

Serial
No.

Concerns ~~has~~ during the said period been maybe said blame been affected by the limitations of the revenue budget programme, and not blame had the full benefit of finance as if from sources other than current revenues. It may also be argued that ^{was} if the amounts spent in financing the concerns had been available, they would in the usual course have been ~~utilised~~ utilised for service expenditure under other heads or saved. In the former case no interest would have been earned and the ~~redemption~~ the amount saved would have fetched interest, at rate of 6%. Cannot ~~be charged~~ reasonably be charged other concerns as that save alone.

1982
6/12

Hosey,

18

4.12.20

As regards the six concerns for which regular Capital and Revenue Accounts were required by Government Order dated 21st July 1919 to be prepared, the Comptroller seeks orders on three points:-

(1) He states that in regard to charging inter-

General and Revenue
Secretariat.

G.F. File No. 73 of 191 20.

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No.

interest upon fixed and floating capital of these concerns, the intention of Government is apparently to limit the levy of interest to the capital^{Charge interest} furnished from the Industrial Investment Fund, and not, on that incurred up to the date from which the arrangement sanctioned in Government Order of 21st July 1919 came into effect. In holding this view, he apparently relies upon the following sentence in para 2 of the said order: "This will, however, ~~be~~ not be insisted upon as regards the transactions of previous years". I do not see why the capital supplied otherwise than through the Industrial Investment Fund should be allowed to leave the concerns free of interest. It seems to me that no such distinction can be made in respect of capital and that all capital, however found, should carry interest and that net profit should be calculated only after making allowance for such interest.

(2) The Comptroller states that the interest chargeable upon capital supplied to these concerns will be shewn in the General Revenue Accounts of Govt under the head "Interest". If this arrangement is adopted, the net profits, after excluding interest, ~~shall be~~ are likely to be small and the lay public may not understand the working of the concerns properly as they may overlook the fact that the concerns have paid interest at the specified rate in addition to such profits. To prevent such misconception, it is

I think this sentence means that 'interest' need not be charged in the year previous to the order.

1411 2765

G. R. S. III-2]

General and Revenue
Secretariat.

G.F. File No. 73 of 19120.

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No.

under one head
is desirable to shew ^{and net} interest on profits together ~~in~~
~~interest on net profits~~ as 'profits' of the concerns.

(3) The Comptroller proposes to make an appropriation of profits on account of Depreciation Fund for each concern and keep the Fund as part of the Advance Account of the concern instead of separating it from such account. This is a minor point and the Comptroller's proposal may be accepted as a temporary measure though it would be better if the Depreciation Fund is separated from the Advance Account altogether.

First Member, through
Secretary, E. & A.

Null
15/12/20

CSG
17/12/20

*Supra 1st 3 supplies
of the Fuel reg*

4/12/20

Flens

Dec 23/20

Ans 1/2

DW 56
9/12

18/12
120
and 21/12

27-12-20

P.T.O

Serial
No.
2

From. The Director of Industries & Commerce

Nos/2249 D/18th Dec 1920.

Requests approval
of govt to the levy of interest only on the
net working capital as in the case of
the Sandalwood oil factories and not
on the entire working limit as proposed by
the comptroller.

Subd with draft for order on the
SR
5.1.21. point raised in 81-2.

WD
5.21. The proposal of the
Comptroller levy interest on

the total fixed sum allotted
as working capital is in
accordance with the order of

20th July 1913

The Director of I.C. in criticism
this arrangement has apparently
in view the cash credit system
as in vogue with banks, and
there is something to be said
in favour of his view.

The calculation of interest on
varying amounts for different
periods would involve much
labour, and if it is found
that the net debit under

General and Revenue
Secretariat.

G. R. File No. 73 of 1920.

Serial
No.

Working capital is much less than the
fixed sum allotted for fairly long periods,
very much less than have been afforded them.

Yes, 7

18
8.1.212834
19/1/21Mark
G. R. S. I
No. 2

I think there is much force in the contention of the Director. It is not reasonable that he should be charged interest for money which is either not --- drawn or repaid into the Treasury, simply on the ground that it is held at his disposal. It is only fair to take interest on the amount actually taken out of the Treasury and not returned thereto. If this arrangement is adopted, it has to be settled on what balance interest should be calculated ~~and for what period~~. When amounts are being drawn from the Treasury and paid into the Treasury, the balance will be fluctuating almost -- daily and some balance will have to be decided upon for charging interest. It is not possible to make this calculation very precise and some rough and ready method will have to be adopted. It is usual in such cases to take the interest-carrying balance as the mean of the opening and closing balances for each half-year. I understand that this rule is being followed in charging interest on the amounts drawn by the Sandal Oil Factory. The same method may be adopted in regard to ^{the concerns under} the Industries & Commerce Department.

There is however, one point which has apparently influenced the Comptroller in levying interest on the whole amount held at the disposal of the Department.

Serial
No.

the Fund. When a capital grant, whether for floating or fixed purposes, is sanctioned in favour of an industrial concern, the Comptroller has naturally held that it should be treated as having been lent from the Industrial Investment Fund, and that

The whole of it should carry interest.

The contention of the department is that it should be considered as having borrowed not the entire amount of the allotment but the fluctuating amount which it ^{funds} found necessary to utilise from time to time. This view of the department may be upheld. If however experience shows that ^{the system} it leads to unnecessary lock-up of funds, there will be no effective remedy of preventing it, other than that of charging interest on the whole amount allotted, as has now been done by the Comptroller.

First member)

small

257/1/21

*None no by list they
changed in actual doing
is in the case of S.O. factors
turn in that allotment from
the fund*

29.1

*Inform Compt. and D.
accordingly*

29.21

Serial
No.

Subd with draft enclosed

SR

31.1.21

For formal copy issue

WS

Lesley

WS

2561

31/1

1.2.1921

12

Thamps. His allright

Please issue

mle
1.2.21

M4/2

3. To the Comptroller.

FL 5075 on 9.2.21

States that interest may be charged on the actual drawings & not on the total allotment, that interest & net profits shd be shown in the general account together as 'profits' and that the proposal of the depreciation fund is approved as a temporary measure

B

2561 not
necessary
to send
with
it. It is
also

Please address all future communications
to the Comptroller to the Govt. of H. H.
the Maharaja of Mysore.
In reply to this Comm. please refer to

No. IAB. 282.

OFFICE OF THE COMPTROLLER TO THE
GOVERNMENT OF HIS HIGHNESS THE MAHARAJA
OF MYSORE.

3rd September 1920.

Dated, Bangalore, the 191

RECEIVED
4 SEP 1920

Diary No. 1411.

FROM

T. Satyaraj Chetty Esq., B.A.,

M. N. KRISHNA RAO, Esq., B.A.,

Offg. Comptroller to the Government of
His Highness the Maharaja of Mysore.

20 1921

67

73-20

To

M. N. Krishna Rao Esq., B.A., Esq.,

Secretary to the Government of Mysore,

Financial Department

SIR,

Adverting to Government Order No. Fl.428-30/G.F.27-18-90 dated 21st July 1919, I have the honor to state that the following procedure will be adopted in the preparation of the Balance Sheet, of the several Industrial concerns referred to therein and I request approval of Government in the matter

1. Interest will be charged only on the fixed and working Capital ^{met} ~~not~~ from the Industrial Investment Fund and not on the outlay of previous years i.e., on the Capital Expenditure incurred from 1st July 1919, and the allotment made for working expenses (floating capital) as this would appear to be the intention of the Government Order.

2. The interest referred to above will be credited to a new head - Interest on Industrial concerns under IX Interest - as in the case of the Sandal Oil Factories. This interest will be adjusted whether there is profit or loss on the concern as the correctness of the account depends on the adjustment of all items chargeable to Profit and Loss Account and interest on Capital as one of such items should

C. O. 42-Rec.—17]

.....Department

191

FROM

M. N. KRISHNA RAO, ESQ., B.A.,
Offg. Comptroller to the Govt. of
H. H. the Maharaja of Mysore.

To

.....Esq.,
Secretary to the Govt. of Mysore,
Dept.

Dated

Despatched

Received

No.....

Subject matter.

should not be left over till the concern is in a position to make any profit. Further, if interest is to be adjusted only in the case of such concerns where gross profits are such, as to cover the interest charge, the financial results of the working of the several concerns when they appear in the accounts, side by side will not give a correct and comparative idea of the extent of profit ^{or} ~~as~~ loss on the several concerns

3. It is not proposed in the initial stages of the concerns to create a separate fund as "Depreciation Fund" and require the Director to make over to Government the amount deducted for depreciation for credit to that fund as in the case of either the Cauvery Power Scheme or the Sandal Oil Factory. The credits to the fund by debit to Revenue will however appear in the respective Balance Sheet, and charges on account of special repairs or renewals will be met therefrom.

I have the honor to be,

Sir,

Your most obedient servant,

J. Satyanarayana
Comptroller.

SAM

JRS

TELEGRAPHIC ADDRESS "INDUSTRIES"

In reply please refer to No. <u>512247</u>

ENCL. No.

OFFICE OF THE

DIRECTOR OF INDUSTRIES AND COMMERCE, IN MYSORE.

Bangalore,.....18th December...1920.

20

FROM

V. RANGASAWMY IYENGAR, ESQ., B. C. E.,
Director of Industries and Commerce in Mysore,
Bangalore (India)

TO

The Comptroller to the
Government of Mysore,

SIR,

B a n g a l o r e.

With reference to your letter No. IAD 374 dated 28th September 1920 informing that " interest will be charged only on the Fixed and working Capital met from the Industrial Investment Fund i.e., on the Capital expenditure incurred from 1-7-1919 and the allotment made for working expenses ", I have the honour to state that, in as much as no interest accrues on the undrawn balance of the working allotment remaining in the treasury, and as the -- Department is compelled to remit all its realisations to the -- Treasury, and is not also allowed to have its running account in any bank, where it would get some interest on the balance to its credit, ^uIt is not only commercial but also jst to levy interest only on the net drawings against working limit. The term "allotment made for working expenses" appears to be a misnomour. The fixed sum allotted to start with, or revised from time to time has to be interpreted as only the limit of credit allowed to the Director to draw upon to meet the working expenses of the concern. Para 4 of Government Order No. Fl 428-30/ Gf 27-18-90 dated 21st July 1919, which says the "interest on e working Capital will be paid at the rate of 6 per cent per annum" makes the matter

Interest has therefore to be calculated on the working capital and not on the fixed sum allotted, and 'working Capital' represents the net drawings from the Treasury i.e., 'drawings' minus remittances, the term 'drawings' including adjustments on account of the interest and depreciation referred to in para 3 of the Government Order.

For reasons explained above, I cannot see any justice in the levy of interest on the entire working limit as proposed by you, I request you to reconsider the case and intimate your views at an early date.

I have the honour to be,

Sir,

Your most obedient servant,



DIRECTOR.



TELEGRAPHIC ADDRESS "INDUSTRIES"

In reply please refer to

No. S/2249ENCL. No. one

OFFICE OF THE

DIRECTOR OF INDUSTRIES AND COMMERCE IN MYSORE.

Bangalore, 18th December 1920

FROM

V. RANGASAWMY IYENGAR, ESQ., B. C. E.,

*Director of Industries and Commerce in Mysore,**Bangalore (India)*

To

The Financial Secretary to the

Government of Mysore,

B A N G A L O R E.

SIR,

With reference to letter No. 282 dated 2nd September 1920, addressed to Government, by the Comptroller to the Government of Mysore, re: the levy of interest on the entire working limit -- allowed to each Industrial concern, I have the honour to submit herewith a copy of my letter No. S/2247 Dated 20-12-20 to the latter explaining how it is unjust to charge interest on the -- entire limit irrespective of the amounts actually drawn, and -- how such levy is not also authorised by Government, taking their order in ^{its} true spirit. I may also add that the levy of -- interest on the undrawn balance in the Treasury takes away the incentive to reduce the stock of raw materials to the utmost -- minimum, to clear the finished stock as early as possible, and in short, to keep the working capital--i.e., the net drawings as low as possible, as it amounts in other words to the denial of the grant of the only return for this incentive, viz., the non-payment of interest on the undrawn credit. I therefore, request approval of Government to the levy of interest only on the net working -- Capital, as in the case of the Sandalwood Oil Factories.

I have the honour to be,

Sir,

Your most obedient servant


 DIRECTOR.

R

SUBJECT.....

Diary No. of letter replied to.....

General and Revenue Secretariat

, the

191

Date of issue.....

Signed by.....

To

The comptroller

Sir,

With reference to your letter no DA 282 of 3rd September 1920 requesting the approval of Govt to the procedure adopted by him in the preparation of the balance sheet of the several Industries

Concerns I am directed to state as follows

Para 1. There is no reason why the capital supplied otherwise

over.

Wm 5
5/11/21

than through the industrial investment
 Fund should be allowed to the concerns
 free of interest. No distinction ^{need} ~~can~~
^{in the matter of charging interest -}
 be made in respect of capital incurred Jan 1st 1913 on
 and that all capital, however
 found, should carry interest and ~~The~~

that net profit should be calculated
 only after making allowance for
 such interest. -

Para 2. To prevent mis conception
 by the lay public of the working
 of the Industrial concerns, it is
 desirable to show under one head
 interest and net profits together
 as 'profits' of the concerns.

3. The ^{to make an appropriation of profits on} ~~proposal to keep~~
~~accounts of depreciation fund for each concern & keep~~
~~the Depreciation fund as~~
 part of the advance account
 of the concern is approved.

I have etc.

ms
 4.8.21
 16/8/11
 3/2
 copy to Director of J & C.
 to sign with copy to his letter
 W. S/2247 of 20th Dec 1920.

working capital should charged not - on the
 from the Investment-fund but on the actual
 to the general concerns as in the case of
 the Scandal oil factories -

The interest charged on the
 Concerns need not be
 credited under TX interest
 in Annual Report -
 The interest arrived at
 as per para 1 and net profits
 should shown in Annual
 and written as 'profits'

of the Concerns -
 List of enclosures.

Para 3 - your proposal
 regarding the Depreciation fund
 is approved as a temporary
 measure. It would however
 be better if the D.F.D is
 Copied by Separated from the
 Examined by advance acct.
 altogether

copy to Hon Secy
 (copy sent)

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

FINANCIAL SECRETARIAT,

No.

225075
4773 20-3
Fair Draft.

Bangalore, Dated 9.2.21 1921

From

M. N. KRISHNA RAO, Esq., B.A.,

Financial Secretary to the Government of His Highness the Maharaja of Mysore.

To

T. Satyaraj Chetty, Esq., B.A.,

Comptroller, Mysore Government.

Sir,

With reference to your letter No. I.A.D. 282 dated 3rd September 1920 requesting the approval of Government for the procedure adopted by you in the preparation of the balance sheet of the several Industrial concerns in accordance with Government order of 21st July 1919, I am directed to state as follows.

No distinction need be made in the matter of charging interest in respect of capital incurred from 1st July 1919 or previously - thereto. The interest on working capital should be charged not on the total allotments from the Investment Fund but on the - actual drawings for the several concerns as in the case of the Sandal Oil Factories.

The Interest charged to the concerns need not be credited under IX Interest in the General Revenue Account. The interest arrived arrived at as per para 1 and net profits should be shown in the General account together as 'Profits' of the concerns.

3. Your proposal regarding the Depreciation Fund is approved as a temporary measure. It would however be better if the - Depreciation Fund is separated from the advance account altogether

I have the honour to be,

Sir,

Your most obedient servant,

225075 9/2/21
copy to A. J. C.

MK.5.

Financial Secretary to Govt.